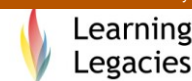


Discussion Starter SPONSORSHIP



LOCOG, headed by the charismatic Lord Sebastian Coe, have raised £600m in sponsorship revenue from 26 corporate backers for the London 2012 Games. No doubt, corporations are still seduced by the opportunity to bask in the reflected glory of the Gold medal victories of athletes, and to view their own logo standing proudly next to that of the Olympic rings. However, such an achievement can still be considered no mean feat, given the recessionist culture that we are currently living in. When costs are being cut, jobs have been lost, market fears are constantly rearing their ugly heads, and global investment banks are subject to fraud investigation, how do the Games continue to attract such notable funding?

The Sponsors

The seven “tier-one” sponsors, paying at least £40million for sponsorship rights to the Games are Lloyds TSB, EDF Energy, BT, BP, Adidas, British Airways and BMW. These sponsors have bought the rights to the Olympic brand and have an additional extra option to purchase Games tickets and the right to sponsor the torch relay and volunteer programme. Another 20 companies have provided cash, free products or services to the Games.

In addition to these “domestic” partners, LOCOG will also receive a share of revenue from IOC TOP’s sponsors. These TOPs rights are global and therefore carry the ability to generate large sums. TOPs sponsors

include Coca Cola, Visa, GE, Panasonic, Omega and Samsung.

Current Promotional Activity

However, some have questioned whether many UK companies may be leaving it too late to capitalise on the Olympic promotional rights that they have already negotiated and purchased. It is, of course, fair to argue that promotional activity has been detrimentally affected by the recent economic crisis that began in 2008, and that has swept across the Western world, with Greece and Spain the most notable recent casualties. The British economy has also faltered significantly and it would be unsurprising if the promotional budgets of corporations were slashed in order to lower costs.

Promotion in the Economic Crisis

The Pound and Euro have both lost value during the economic crisis, and sweeping staff cuts and redundancies characterise the financial difficulties experienced by most companies across the UK. Andy Sutherland, Managing Director of Sports Marketing and Sponsorship at Hill & Knowlton, picked up on the effect of the economic crisis on promotional activity, with his observation that:

“Some companies have been reticent about being visible with Olympic marketing because on the one hand they have been making redundancies and on the other hand they would have been celebrating something that costs millions of pounds...Many boardrooms worry about the contradictions and the perception of extravagance.”

Such concerns are understandable. Sutherden went on to comment that a side-effect of the recession was that each of the Olympic sponsors would be scrutinising their investments and commercial objectives way more rigorously than before; possibly, some of these companies may have backed out of an Olympic sponsorship or committed to a lower financial commitment if the credit crunch had been in full swing at the time of negotiation of Olympic promotional rights.

When we apply that analysis to BP the issue is multiplied in terms of complexity, given that the company has Deepwater Horizon, potentially the largest and most destructive oil spill in history, on its hands. Could Olympic sponsorship be justified in such a circumstance, and might their situation reflect negatively on the Olympic Games? Similarly, British Airways, another key sponsor is dealing with a nightmarish triangle of economic crisis, union backed strike action and the cancellation of hundreds of flights caused by the Icelandic volcano. The concept of Olympic sponsorship might be a commitment too far for many workers who might stand to lose their jobs as a result of such trying economic and financial and financial times.

One might also consider that another high profile mega event – the FIFA World Cup 2010 in South Africa, is also currently demanding the attention of the world's sports fans. It is possible that promotional activity might ramp up significantly after the FIFA World Cup has been raised by one victorious team in the

beautiful surroundings of Cape Town, clearing the way for the attention of the world to turn to the upcoming 2012 Games.

Interestingly, there is a clear difference in the promotional strategies that sponsors will need to employ at the FIFA World Cup, as compared to the 2012 Games. This is due to the no on-site promotion rule dictated by the IOC, which prevents even official sponsors from exhibiting their logos at Olympic stadia and event sites. Such a ruling demonstrates the power held by the IOC; Olympic sponsorship rates are expensive and highly coveted, and for a company to part with a large cheque with such a caveat is an interesting concept. Other sporting mega-events, such as the FIFA World Cup 2010, willingly sell pitch-side advertising as part of sponsorship packages, and companies no doubt benefit hugely from their logo appearing multiple times throughout matches in the TV coverage that is beamed into the homes of millions.

Examples of Promotional Activity

Interestingly, one can observe that 2012 Games sponsors have so far limited their promotional activity to one-off events, as opposed to sustained and ongoing promotional campaigns. High profile events of this nature were the Visa street party, held to honour the handover of the Olympic torch to London (at a cost of £1m), and the lighting up (by BT) of the BT tower in Olympic colours in order to mark the '1,000-days-to-go to 2012' milestone.

Sean Whatling, Chief Executive of RedMandarin sponsorship, said: *“Leveraging the value of an Olympic relationship requires the same level of organisational commitment that would be given to major new product development, a medium-sized acquisition or a corporate repositioning”*, adding that he would single out Lloyds TSB, BT, BP and EDF as the brands with the most to prove. Certainly, BP has arguably a whole lot more to prove than the other sponsors due to the Deepwater Horizon fiasco. Whatling based his assumption on the fact that all four sponsors had explicitly stated their intention to use the Games as a way of connecting with their customers more effectively, and to become effectively more ‘customer-friendly’. It remains to be seen if companies can rise up to this challenge and effectively leverage their promotional rights so that they translate profitably to their balance sheet.

BP In Deep Water with Olympians over DeepWater Horizon

Concern is mounting amongst some American Olympic athletes – including household names such as Dana Torres, Amanda Beard and Eric Shanteau, who are fearful that the catastrophic oil spill originating from the DeepWater Horizon drilling facility might affect the funding and sponsorship that they receive from BP. Many US hopefuls currently receive part of their USOC (United States Olympic Committee) funding via a \$10-\$15m sponsorship deal that USOC negotiated with BP in February 2010. This represents roughly 6-7% of USOC’s federation’s sponsorship revenue. Worryingly, the \$1bn clean-up bill

and legal charges aimed at BP might conceivably place such funding promises at risk.



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The IOC's Position

If the perception of the public is that the Olympic rings are becoming covered in oil, then will LOCOG really be as keen to maintain their strategic partnership with the beleaguered oil giant?

If we look to other high profile sports sponsored by BP, for an indication of what might occur, we can observe that this might become a very real threat.

Already the Cubs and White Sox, competitors in the "BP Crosstown Cup", report that much of the BP promotional material that would otherwise have been distributed at the event has now been put aside. Nevertheless, the teams do report that they plan to stand behind the brand, despite the environmental

and PR disaster that BP are currently experiencing. This is a trend that LOCOG and the IOC appear to also follow, which bodes well for ongoing partnership activity between the two companies. However, no-one is yet knowledgeable of the full extent of the crisis for BP. With a clean-up bill that is spiralling, share prices that are falling, perceptions of competence characterised best by a 'Can you help' ideas hotline on the BP Internet home page – how long before the IOC reconsiders their position?

Boycotts and Protests

The IOC and LOCOG are also presumably placing themselves at considerable risk of boycotts and protests from the general public and from environmental groups as a result of the oil crisis, a concept that might cause harm to the Olympic brand itself.

Placing the London 2012 Legacy At Risk

As DeepWater Horizon is fast becoming the worst man-made environmental disaster in US history, it seems that close association as a partner with BP might jeopardise LOCOG sustainability goals. One of the winning facets of the London bid was the promise that London would deliver a 'Green Games', but being funded partly by the worst economic polluter in modern history is obviously an uncomfortable position for LOCOG that threatens to undermine the 'green' image of the Games.



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FIND OUT MORE

Press Release: BP Named Official Partner of U.S. Olympic Committee, U.S. Olympic and Paralympic Teams

<http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7059696>

BP in Partnership: Fuelling the Olympic Dream

http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/B/Olympic_dream.pdf

Fuelling the Olympic Dream

http://www.bp.com/.../STAGING/global_assets/downloads/B/Olympic_dream.pdf

BP Gulf of Mexico Oil Spill Response: Press Release

<http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7062409>

British Airways

<http://www.britishairways.com/>

Official Olympic Website: London 2012

<http://www.olympic.org/en/content/Olympic-Games/All-Future-Olympic-Games/Summer/London-2012/>

CREDITS

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